

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of Galesburg</b>	County <b>Kalamazoo</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>12/3/04</b>	Date Accountant Report Submitted to State: <b>1/27/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☒ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Siegfried Crandall PC</b>			
Street Address <b>246 East Kilgore Road</b>		City <b>Kalamazoo</b>	State <b>MI</b>
		ZIP <b>49002-5599</b>	
Accountant Signature 		Date <b>1/27/05</b>	

*City of Galesburg*  
*Kalamazoo County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended June 30, 2004*

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**INDEPENDENT AUDITORS' REPORT**

**City Council  
City of Galesburg, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Galesburg, Michigan, as of June 30, 2004, and for the year then ended, which collectively comprise the City of Galesburg, Michigan's basic financial statements, as listed in the contents. These financial statements are the responsibility of the City of Galesburg, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Galesburg, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 13, the City of Galesburg has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2003.

The budgetary comparison information, on pages 31 to 34, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The City of Galesburg, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

INDEPENDENT AUDITORS' REPORT *(Continued)*

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Galesburg, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Galesburg, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sigfried Crandall P.C.*

December 3, 2004

## **BASIC FINANCIAL STATEMENTS**

**City of Galesburg**  
**STATEMENT OF NET ASSETS**  
June 30, 2004

	<b>Primary Government</b>		
	<b><u>Governmental activities</u></b>	<b><u>Business-type activities</u></b>	<b><u>Totals</u></b>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 476,363	\$ 867,944	\$ 1,344,307
Receivables (net)	194,616	54,846	249,462
Internal balances	<u>26,065</u>	<u>(26,065)</u>	<u>-</u>
<i>Total current assets</i>	<u>697,044</u>	<u>896,725</u>	<u>1,593,769</u>
Noncurrent assets:			
Receivables (net)	-	51,125	51,125
Internal balances	(72,451)	72,451	-
Capital assets (net of accumulated depreciation)	<u>827,625</u>	<u>860,369</u>	<u>1,687,994</u>
<i>Total noncurrent assets</i>	<u>755,174</u>	<u>983,945</u>	<u>1,739,119</u>
<i>Total assets</i>	<u>1,452,218</u>	<u>1,880,670</u>	<u>3,332,888</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	6,316	28,213	34,529
Current maturities of long-term liabilities	<u>40,390</u>	<u>10,000</u>	<u>50,390</u>
<i>Total current liabilities</i>	<u>46,706</u>	<u>38,213</u>	<u>84,919</u>
Noncurrent liabilities:			
Compensated absences	34,568	-	34,568
Bonds and notes payable	<u>193,005</u>	<u>80,000</u>	<u>273,005</u>
<i>Total noncurrent liabilities</i>	<u>227,573</u>	<u>80,000</u>	<u>307,573</u>
<i>Total liabilities</i>	<u>274,279</u>	<u>118,213</u>	<u>392,492</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	594,230	770,369	1,364,599
Restricted	402,200	-	402,200
Unrestricted	<u>181,509</u>	<u>992,088</u>	<u>1,173,597</u>
<i>Total net assets</i>	<u>\$ 1,177,939</u>	<u>\$ 1,762,457</u>	<u>\$ 2,940,396</u>

See notes to the financial statements

**City of Galesburg**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2004

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for services</u>	<u>Operating grants and contributions</u>
Primary government:			
<i>Governmental activities:</i>			
Legislative	\$ 8,295	\$ -	\$ -
General government	159,490	5,856	13,500
Public safety	230,885	42,477	110
Public works	221,139	8,584	126,817
Community and economic development	5,205	-	-
Culture and recreation	79,450	22,145	6,849
Interest on long-term debt	11,039	-	-
<i>Total governmental activities</i>	<u>715,503</u>	<u>79,062</u>	<u>147,276</u>
<i>Business-type activities:</i>			
Sewer	140,202	100,932	-
Water	136,901	183,563	-
<i>Total business-type activities</i>	<u>277,103</u>	<u>284,495</u>	<u>-</u>
<i>Total primary government</i>	<u>\$ 992,606</u>	<u>\$ 363,557</u>	<u>\$ 147,276</u>

*General revenues:*  
Property taxes  
State shared revenues  
Unrestricted investment income  
Franchise fees  
Miscellaneous

*Total general revenues*

**Change in net assets**

**Net assets - beginning of year**

**Net assets - end of year**



<b>Net (expenses) revenues and changes in net assets</b>			
<b>Primary government</b>			
<b>Capital grants and contributions</b>	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Totals</b>
\$ -	\$ (8,295)	\$ -	\$ (8,295)
-	(140,134)	-	(140,134)
-	(188,298)	-	(188,298)
-	(85,738)	-	(85,738)
-	(5,205)	-	(5,205)
-	(50,456)	-	(50,456)
-	(11,039)	-	(11,039)
-	(489,165)	-	(489,165)
-	-	(39,270)	(39,270)
-	-	46,662	46,662
-	-	7,392	7,392
\$ -	(489,165)	7,392	(481,773)
	246,882	-	246,882
	209,525	-	209,525
	641	13,418	14,059
	12,299	-	12,299
	2,796	-	2,796
	472,143	13,418	485,561
	(17,022)	20,810	3,788
	1,194,961	1,741,647	2,936,608
\$	<u>1,177,939</u>	<u>\$ 1,762,457</u>	<u>\$ 2,940,396</u>

See notes to the financial statements

**City of Galesburg**  
**BALANCE SHEET - governmental funds**  
June 30, 2004

	<u>General</u>	<u>Major Street</u>	<u>Debt Service</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>ASSETS</b>					
Cash	\$ 34,910	\$ 208,316	\$ 69,626	\$ 88,222	\$ 401,074
Receivables (net)	126,688	25,976	35,102	6,850	194,616
Due from other funds	<u>23,889</u>	<u>6,767</u>	<u>9,876</u>	<u>-</u>	<u>40,532</u>
<i>Total assets</i>	<u>\$ 185,487</u>	<u>\$ 241,059</u>	<u>\$ 114,604</u>	<u>\$ 95,072</u>	<u>\$ 636,222</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 6,316	\$ -	\$ -	\$ -	\$ 6,316
Due to other funds	8,516	4,182	-	6,011	18,709
Deferred revenue	-	7,679	30,663	-	38,342
Advances from other funds	<u>72,451</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,451</u>
<i>Total liabilities</i>	87,283	11,861	30,663	6,011	<u>135,818</u>
Fund balances, unreserved	<u>98,204</u>	<u>229,198</u>	<u>83,941</u>	<u>89,061</u>	500,404
<i>Total liabilities and fund balances</i>	<u>\$ 185,487</u>	<u>\$ 241,059</u>	<u>\$ 114,604</u>	<u>\$ 95,072</u>	
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>					
Capital assets (exclusive of \$55,025 of the internal service fund) used in governmental activities are not financial resources and therefore are not reported in the governmental funds.					772,600
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.					(34,568)
Long-term bonds and notes payable are not due and payable in the current period and are not reported in the governmental funds.					(233,395)
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the governmental funds.					38,342
The net assets (including capital assets of \$55,025) and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.					<u>134,556</u>
Net assets of governmental activities					<u>\$ 1,177,939</u>

See notes to the financial statements

**City of Galesburg**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds**

Year ended June 30, 2004

	<u>General</u>	<u>Major Street</u>	<u>Debt Service</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>REVENUES</b>					
Property taxes	\$ 223,653	\$ -	\$ -	\$ 23,229	\$ 246,882
State grants	209,525	95,585	-	30,081	335,191
Intergovernmental	25,104	-	-	-	25,104
Fines and forfeitures	30,968	-	-	-	30,968
Charges for services	36,815	-	-	-	36,815
Interest and rentals	509	1,150	3,027	463	5,149
Other	2,281	7,963	6,267	12,029	28,540
<i>Total revenues</i>	<u>528,855</u>	<u>104,698</u>	<u>9,294</u>	<u>65,802</u>	<u>708,649</u>
<b>EXPENDITURES</b>					
Legislative	8,295	-	-	-	8,295
General government	144,863	-	-	-	144,863
Public safety	221,440	-	-	-	221,440
Public works	53,434	97,727	-	53,776	204,937
Community and economic development	5,205	-	-	-	5,205
Culture and recreation	69,503	-	-	4,027	73,530
Debt service:					
Principal	7,454	-	5,000	15,711	28,165
Interest and fiscal charges	1,128	-	5,161	4,750	11,039
Capital outlay	19,028	-	-	-	19,028
<i>Total expenditures</i>	<u>530,350</u>	<u>97,727</u>	<u>10,161</u>	<u>78,264</u>	<u>716,502</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,495)</u>	<u>6,971</u>	<u>(867)</u>	<u>(12,462)</u>	<u>(7,853)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Loan proceeds	18,997	-	-	-	18,997
Transfers in	49,117	-	-	20,363	69,480
Transfers out	-	(69,363)	-	(117)	(69,480)
<i>Total other financing sources (uses)</i>	<u>68,114</u>	<u>(69,363)</u>	<u>-</u>	<u>20,246</u>	<u>18,997</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>66,619</u>	<u>(62,392)</u>	<u>(867)</u>	<u>7,784</u>	<u>11,144</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>31,585</u>	<u>291,590</u>	<u>84,808</u>	<u>81,277</u>	<u>489,260</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 98,204</u>	<u>\$ 229,198</u>	<u>\$ 83,941</u>	<u>\$ 89,061</u>	<u>\$ 500,404</u>
Net change in fund balances - total governmental funds					\$ 11,144

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$32,070) exceeded depreciation (\$31,777) in the current period.	293
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal on such debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets.	9,168
Some revenues reported in the funds were earned in prior years and are not reported in the statement of activities.	(10,242)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.	(16,180)
The net expenses of the internal service fund is reported with governmental activities.	(11,205)
Change in net assets of governmental activities	<u>\$ (17,022)</u>

See notes to the financial statements

**City of Galesburg**  
**STATEMENT OF NET ASSETS - proprietary funds**  
June 30, 2004

	<b>Business-type activities - enterprise funds</b>			<b>Governmental activities</b>
	<b>Major</b>			<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Totals</b>	
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 509,703	\$ 358,241	\$ 867,944	\$ 75,289
Receivables (net)	21,642	33,204	54,846	-
Due from other funds	-	-	-	1,749
<i>Total current assets</i>	<u>531,345</u>	<u>391,445</u>	<u>922,790</u>	<u>77,038</u>
Noncurrent assets:				
Receivables	31,981	19,144	51,125	-
Advances to other funds	72,451	-	72,451	-
Capital assets (net of accumulated depreciation)	<u>444,681</u>	<u>415,688</u>	<u>860,369</u>	<u>55,025</u>
<i>Total noncurrent assets</i>	<u>549,113</u>	<u>434,832</u>	<u>983,945</u>	<u>55,025</u>
<i>Total assets</i>	<u>1,080,458</u>	<u>826,277</u>	<u>1,906,735</u>	<u>132,063</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	24,735	3,478	28,213	-
Due to other funds	12,538	11,034	23,572	-
Bonds payable - current	<u>7,500</u>	<u>2,500</u>	<u>10,000</u>	<u>-</u>
<i>Total current liabilities</i>	<u>44,773</u>	<u>17,012</u>	<u>61,785</u>	<u>-</u>
Noncurrent liabilities - bonds payable	<u>60,000</u>	<u>20,000</u>	<u>80,000</u>	<u>-</u>
<i>Total liabilities</i>	<u>104,773</u>	<u>37,012</u>	<u>141,785</u>	<u>-</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	377,181	393,188	770,369	55,025
Unrestricted	<u>598,504</u>	<u>396,077</u>	<u>994,581</u>	<u>77,038</u>
<i>Total net assets</i>	<u>\$ 975,685</u>	<u>\$ 789,265</u>	<u>1,764,950</u>	<u>\$ 132,063</u>

*Amounts reported for business-type activities in the statement of net assets are difference because:*

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. (2,493)

Net assets of business-type activities \$ 1,762,457

*See notes to the financial statements*

**City of Galesburg**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - *proprietary funds***

*Year ended June 30, 2004*

	<b><i>Business-type activities - enterprise funds</i></b>			<b><i>Governmental activities</i></b>
	<b><i>Major</i></b>			<b><i>Internal service</i></b>
	<b><i>Sewer</i></b>	<b><i>Water</i></b>	<b><i>Totals</i></b>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 99,335	\$ 177,906	\$ 277,241	\$ 33,642
Other	1,597	5,657	7,254	-
<i>Total operating revenues</i>	<u>100,932</u>	<u>183,563</u>	<u>284,495</u>	<u>33,642</u>
<b>OPERATING EXPENSES</b>				
Wages	29,051	48,056	77,107	5,121
Operating supplies	3,813	29,705	33,518	10,484
Office supplies	267	286	553	-
Treatment charges	79,977	-	79,977	-
Maintenance and repairs	1,763	28,178	29,941	-
Utilities	210	7,433	7,643	-
Equipment rental	691	5,384	6,075	-
Depreciation	19,376	15,649	35,025	31,810
<i>Total operating expenses</i>	<u>135,148</u>	<u>134,691</u>	<u>269,839</u>	<u>47,415</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(34,216)</u>	<u>48,872</u>	<u>14,656</u>	<u>(13,773)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest revenue	10,717	2,701	13,418	74
Interest expense	(4,771)	-	(4,771)	-
<i>Total nonoperating revenues (expenses)</i>	<u>5,946</u>	<u>2,701</u>	<u>8,647</u>	<u>74</u>
<b>CHANGE IN NET ASSETS</b>	(28,270)	51,573	23,303	(13,699)
<b>TOTAL NET ASSETS - BEGINNING OF YEAR</b>	<u>1,003,955</u>	<u>737,692</u>	<u>1,741,647</u>	<u>145,761</u>
<b>TOTAL NET ASSETS - END OF YEAR</b>	<u>\$ 975,685</u>	<u>\$ 789,265</u>	<u>\$ 1,764,950</u>	<u>\$ 132,062</u>
Change in net assets			\$ 23,303	
<i>Amounts reported for business-type activities in the statement of activities are different because:</i>				
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(2,493)	
Change in net assets of business-type activities			<u>\$ 20,810</u>	

See notes to the financial statements

**City of Galesburg**  
**STATEMENT OF CASH FLOWS - proprietary funds**  
Year ended June 30, 2004

	<b><u>Business-type activities - enterprise funds</u></b>			<b><u>Governmental activities</u></b>
	<b><u>Major</u></b>			<b><u>Internal service</u></b>
	<b><u>Sewer</u></b>	<b><u>Water</u></b>	<b><u>Totals</u></b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 98,744	\$ 183,784	\$ 282,528	\$ -
Receipts from interfund services provided	-	-	-	32,873
Payments to suppliers	(75,852)	(62,423)	(138,275)	(10,484)
Payments to employees	(29,051)	(48,056)	(77,107)	(5,121)
Internal activity - payments to other funds	(691)	(5,384)	(6,075)	-
<i>Net cash provided by (used in) operating activities</i>	<u>(6,850)</u>	<u>67,921</u>	<u>61,071</u>	<u>17,268</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Long-term advances to other funds	(22,451)	-	(22,451)	-
Operating advances from (to) other funds	<u>126,135</u>	<u>(1,274)</u>	<u>124,861</u>	<u>-</u>
<i>Net cash provided by (used in) noncapital financing activities</i>	<u>103,684</u>	<u>(1,274)</u>	<u>102,410</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Receipts from special assessments	3,233	6,553	9,786	-
Principal paid on capital debt	(7,500)	(2,500)	(10,000)	-
Interest paid on capital debt	<u>(4,771)</u>	<u>-</u>	<u>(4,771)</u>	<u>-</u>
<i>Net cash provided by (used in) capital and related financing activities</i>	<u>(9,038)</u>	<u>4,053</u>	<u>(4,985)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	<u>9,150</u>	<u>2,166</u>	<u>11,316</u>	<u>74</u>
<b>NET INCREASE IN CASH</b>	96,946	72,866	169,812	17,342
<b>CASH - BEGINNING OF THE YEAR</b>	<u>412,757</u>	<u>285,375</u>	<u>698,132</u>	<u>57,947</u>
<b>CASH - END OF YEAR</b>	<u>\$ 509,703</u>	<u>\$ 358,241</u>	<u>\$ 867,944</u>	<u>\$ 75,289</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ (34,216)	\$ 48,872	\$ 14,656	\$ (13,772)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	19,375	15,649	35,024	31,810
Changes in assets and liabilities:				
Accounts receivable	(2,188)	221	(1,967)	-
Due from other funds	-	-	-	(770)
Accounts payable	<u>10,179</u>	<u>3,179</u>	<u>13,358</u>	<u>-</u>
<i>Net cash provided by (used in) operating activities:</i>	<u>\$ (6,850)</u>	<u>\$ 67,921</u>	<u>\$ 61,071</u>	<u>\$ 17,268</u>

See notes to the financial statements

***City of Galesburg***

**STATEMENT OF FIDUCIARY NET ASSETS - *agency fund***

*June 30, 2004*

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**ASSETS**

Cash	\$ 9,506
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**LIABILITIES**

Due to other governmental units	\$ 7,866
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Due to others	<u>1,640</u>
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<i>Total liabilities</i>	<u>\$ 9,506</u>
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*See notes to the financial statements*

**City of Galesburg**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the City of Galesburg, Michigan (the City), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present only the City. There are no component units, entities for which the City is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):* accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's major streets.

The Debt Service Fund accounts for principal and interest payments on long-term debt.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the City's sewage collection systems.

The Water Fund accounts for the activities of the City's water distribution system.

Additionally, the City reports an internal service fund that accounts for vehicle and equipment management services provided to other departments of the City on a cost-reimbursement basis.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues includes all taxes.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*  
Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the City considers all receivables to be fully collectible.

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

*iv) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Vehicles	3 - 5 years
Sewer and water systems	50 years
Roads	10 - 30 years
Library collection	20 years

**City of Galesburg**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity (continued):*

v) *Compensated absences (vacation and sick leave)* - It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the City. Vested compensated absences are accrued when earned in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

vi) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) *Property tax revenue recognition* - Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before August 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the City. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public safety	Fire Board	\$41,490	\$55,286	\$13,796
Major Street	Public works	Traffic services	1,300	2,987	1,687
	Public works	Winter maintenance	4,256	7,017	2,761
	Transfer out	General Fund	-	49,000	49,000
Local Street	Public works	Winter maintenance	4,625	6,265	1,640
Public Safety	Debt service	Debt service	-	20,461	20,461
Memorial Library	Recreation and culture	Library	-	3,549	3,549

**City of Galesburg**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - DEPOSITS:**

The City's deposits, as presented in the government-wide statement of net assets are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Total</u>
Cash	\$476,363	\$867,994	\$9,506	\$1,353,863

Deposits are carried at cost and are maintained at various financial institutions in the name of the City. State statutes and the City's investment policy authorize the City to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The City's deposits are in accordance with statutory authority. At June 30, 2004, the City has deposits with a carrying amount of \$1,353,863 and a bank balance of \$1,357,445. Of the bank balance \$370,647 is covered by federal depository insurance and \$986,798 is uninsured. The City maintains individual cash accounts for all of its funds.

**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

	<u>Major Debt</u>					<u>Nonmajor</u>	
	<u>General</u>	<u>Street</u>	<u>Service</u>	<u>Sewer</u>	<u>Water</u>	<u>Gov't. type</u>	<u>Totals</u>
Accounts	\$ 6,663	\$ 9,747	\$35,102	\$21,642	\$33,204	\$ -	\$106,358
Intergovern- mental	100,430	16,229	-	-	-	5,112	121,771
Taxes	19,595	-	-	-	-	1,738	21,333
Special assessments	-	-	-	31,981	19,144	-	51,125
<i>Total</i>	<u>\$126,688</u>	<u>\$25,976</u>	<u>\$35,102</u>	<u>\$53,623</u>	<u>\$52,348</u>	<u>\$6,850</u>	<u>\$300,587</u>

All receivables are considered fully collectible; all special assessments are due beyond one year.

**City of Galesburg**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2004, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated - land	\$ <u>123,541</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>123,541</u>
Capital assets being depreciated:				
Buildings	717,735	-	-	717,735
Equipment and vehicles	505,555	20,039	-	525,594
Library collection	<u>151,896</u>	<u>12,031</u>	<u>-</u>	<u>163,927</u>
<i>Subtotal</i>	<u>1,375,186</u>	<u>32,070</u>	<u>-</u>	<u>1,407,256</u>
Less accumulated depreciation for:				
Buildings	(257,601)	(16,116)	-	(273,717)
Equipment and vehicles	(315,530)	(39,419)	-	(354,949)
Library collection	<u>(66,454)</u>	<u>(8,052)</u>	<u>-</u>	<u>(74,506)</u>
<i>Subtotal</i>	<u>(639,585)</u>	<u>(63,587)</u>	<u>-</u>	<u>(703,172)</u>
Net capital assets being depreciated	<u>735,601</u>	<u>(31,517)</u>	<u>-</u>	<u>704,084</u>
<i>Total governmental capital assets, net</i>	\$ <u>859,142</u>	\$ <u>(31,517)</u>	\$ <u>-</u>	\$ <u>827,625</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated - land	\$ <u>37,216</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>37,216</u>
Capital assets being depreciated:				
Buildings and equipment	251,181	-	-	251,181
Sewer system	849,237	-	-	849,237
Water system	<u>742,365</u>	<u>-</u>	<u>-</u>	<u>742,365</u>
<i>Subtotal</i>	<u>1,842,783</u>	<u>-</u>	<u>-</u>	<u>1,842,783</u>
Less accumulated depreciation for:				
Buildings and equipment	(198,098)	(2,695)	-	(200,793)
Sewer system	(473,745)	(16,734)	-	(490,479)
Water system	<u>(312,762)</u>	<u>(15,596)</u>	<u>-</u>	<u>(328,358)</u>
<i>Subtotal</i>	<u>(984,605)</u>	<u>(35,025)</u>	<u>-</u>	<u>(1,019,630)</u>
Net capital assets being depreciated	<u>858,178</u>	<u>(35,025)</u>	<u>-</u>	<u>823,153</u>
<i>Total capital assets, net</i>	\$ <u>895,394</u>	\$ <u>(35,025)</u>	\$ <u>-</u>	\$ <u>860,369</u>

**City of Galesburg**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the City as follows:

<i>Governmental activities:</i>	
General government	\$ 9,634
Public safety	4,464
Public works	1,338
Culture and recreation	16,341
Depreciation on capital assets held by internal service fund	<u>31,810</u>
<i>Total governmental activities</i>	<u>\$63,587</u>
<i>Business-type activities:</i>	
Sewer	\$19,376
Water	<u>15,649</u>
<i>Total business-type activities</i>	<u>\$35,025</u>

NOTE 6 - NONCURRENT LIABILITIES:

Noncurrent liabilities at June 30, 2004, are comprised of the following individual issues:

<i>Governmental activities:</i>	
Accrued compensated absences	\$ <u>34,568</u>
Note payable - bank, installment purchase contract: secured by the full faith and credit of the City, payable in annual installments ranging from \$6,213 to \$6,469, including interest at 2.43%; final payment due July 1, 2006	18,997
Note payable - bank, installment purchase contract; secured by the full faith and credit of the City, payable in monthly installments ranging from \$7,455 to \$7,653, including interest at 5.78% to adjustable after five years; final payment due February 2007	15,108
Note payable - bank, installment purchase contract; secured by the full faith and credit of the City, payable in annual installments of \$20,461, including interest at 3.42%; final payment due October 1, 2009	109,290
\$125,000 1997 Michigan Transportation Fund limited obligation bonds; secured by the full faith and credit of the City, payable in annual installments ranging from \$5,000 to \$15,000, with interest payable semi-annually at rates from 4.0% to 5.3%; final payment due January 2012	<u>90,000</u>
	<u>233,395</u>

**City of Galesburg**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 6 - NONCURRENT LIABILITIES (Continued):

*Enterprise funds:*

\$150,000 1997 sewer and water revenue bonds; secured by sewer and water revenues, payable in annual installments of \$10,000 with a final installment of \$20,000, interest payable semi-annually at rates from 4.0% to 5.25%; final payment due October 2011

\$ 90,000

*Total long-term liabilities*

\$357,963

Noncurrent liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
<i>Governmental activities:</i>					
1996 Note payable	\$ 22,563	\$ -	\$ (7,455)	\$ 15,108	\$ 7,455
2003 Note payable	125,000	-	(15,710)	109,290	16,722
2004 Note payable	-	18,997	-	18,997	6,213
1997 Transportation bonds	<u>95,000</u>	<u>-</u>	<u>(5,000)</u>	<u>90,000</u>	<u>10,000</u>
	242,563	18,997	(28,165)	233,395	40,390
Compensated absences	<u>18,388</u>	<u>30,501</u>	<u>(14,321)</u>	<u>34,568</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$260,951</u>	<u>\$49,498</u>	<u>\$(42,486)</u>	<u>\$267,963</u>	<u>\$40,390</u>
<i>Business-type activities:</i>					
1997 Revenue bonds	<u>\$100,000</u>	<u>\$ -</u>	<u>\$(10,000)</u>	<u>\$90,000</u>	<u>\$10,000</u>

At June 30, 2004, debt service requirements, except compensated absences, were as follows:

	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ended June 30:				
2005	\$ 40,390	\$ 9,394	\$10,000	\$ 4,305
2006	41,261	7,870	10,000	3,824
2007	34,356	6,389	10,000	3,330
2008	28,497	5,114	10,000	2,830
2009	29,130	3,970	10,000	2,330
2010 - 2014	<u>59,761</u>	<u>5,181</u>	<u>40,000</u>	<u>3,660</u>
<i>Totals</i>	<u>\$233,395</u>	<u>\$37,918</u>	<u>\$90,000</u>	<u>\$20,279</u>

**City of Galesburg**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

At June 30, 2004, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Fund</u>	<u>Interfund payables</u>
General	<u>\$23,889</u>	Major street	\$ 4,182
		Sewer	5,131
		Water	8,565
		Nonmajor governmental funds	<u>6,011</u>
			<u>23,889</u>
Major street	<u>6,767</u>	General	<u>6,767</u>
Debt service	<u>9,876</u>	Sewer	7,407
		Water	<u>2,469</u>
			<u>9,876</u>
Motor pool	<u>1,749</u>	General	<u>1,749</u>
Total	<u>\$42,281</u>		<u>\$42,281</u>

Advances to/from other funds consist of the following:

Sewer	<u>\$72,451</u>	General	<u>\$72,451</u>
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A summary of interfund transfers for the year ended June 30, 2004, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
General	\$49,117	Major street	\$49,000
		Nonmajor governmental funds	<u>117</u>
			<u>49,117</u>
Nonmajor governmental funds	<u>20,363</u>	Major street	<u>20,363</u>
Total	<u>\$69,480</u>		<u>\$69,480</u>

The transfers to the General Fund represent unrestricted revenues collected in the Major Street Fund and a nonmajor fund to finance expenditures for debt service and other programs accounted for in General Fund in accordance with budgetary authorizations.

In 2004, a transfer was used to move available unrestricted funds from the Major Street Fund to a nonmajor governmental fund to finance a portion of local street costs.



**City of Galesburg**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 8 - RISK MANAGEMENT:**

The City is exposed to various risks of loss arising from general liability, wrongful acts, professional liability, property damage and destruction, crimes, accidents, and injuries.

Risks of loss arising from possible claims are managed through the purchase of commercial insurance. General, professional, wrongful act, and automotive liabilities policy period maximums are set at \$2,000,000 to \$5,000,000. Buildings and property coverage's total approximately \$2,000,000.

For all risks of loss, there has been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

**NOTE 9 - JOINT VENTURE:**

The Galesburg-Charleston Fire Department (the Department) is a joint venture of the City of Galesburg and the Township of Charleston. The administrative board of the Department consists of five members: one at-large member and two members from each of the participating units. The budget of the Department must be approved by each of the participating units. The costs of operations and capital expenditures of the Department are supported by contributions from the participating units in equal shares. During the year ended June 30, 2004, the City contributed \$45,925 to the Department for operations. Complete audited financial statements for the Department can be obtained from the Treasurer of the Department.

**NOTE 10 - RETIREMENT PLAN:**

The City provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The City contributes up to 5% of each qualified employee's base salary to the plan as a match. The City's contributions are fully vested after three years of employment. The City is not a trustee of the plan, nor is the City responsible for investment management of plan assets.

The City and employees made the required contributions of \$14,312.

**NOTE 11 - CONSTRUCTION CODE ACT:**

A summary of construction code enforcement transactions for the year ended June 30, 2004, follows:

Revenues	\$ 2,731
Expenses	<u>(3,387)</u>
Deficiency of revenues over expenses	<u>\$ (656)</u>

**City of Galesburg**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 12 - RESTRICTED NET ASSETS:**

Net assets as of June 30, 2004, are restricted for the following purposes:

General government - cemetery	\$ 21,906
Public safety	25,462
Public works	246,134
Recreation and culture	24,757
Debt service	<u>83,941</u>
	<u>\$402,200</u>

**NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLES:**

Effective July 1, 2003, the City implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change in the governmental funds:

Net assets, as previously reported (General, special revenue, and debt service funds)	\$ 489,260
Capitalization of capital assets, net of accumulated depreciation, not previously reported	772,307
Net assets of the internal service fund are included in governmental activities in the statement of net assets	145,761
Accrual of compensated absences, a noncurrent liability	(18,388)
Recognition of revenue that was earned, but previously deferred as it was not available	48,584
Bonds payable, that were previously reported in the general long-term debt account group	<u>(242,563)</u>
Net assets, as restated	<u>\$1,194,961</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Galesburg**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended June 30, 2004

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 220,446	\$ 220,446	\$ 223,653	\$ 3,207
State grants	214,284	214,284	209,525	(4,759)
Intergovernmental	13,500	13,500	25,104	11,604
Fines and forfeitures	29,490	29,490	30,968	1,478
Charges for services	36,849	36,849	36,815	(34)
Interest	3,000	3,000	509	(2,491)
Other	12,000	12,000	2,281	(9,719)
<i>Total revenues</i>	<u>529,569</u>	<u>529,569</u>	<u>528,855</u>	<u>(714)</u>
<b>EXPENDITURES</b>				
Legislative - City Council	<u>11,142</u>	<u>9,142</u>	<u>8,295</u>	<u>847</u>
General government:				
Elections	1,496	4,610	5,030	(420)
Assessor	7,896	7,896	7,539	357
Administration	69,337	89,682	89,822	(140)
Cemetery	16,394	11,394	11,278	116
Cable Commission	13,000	12,582	12,299	283
Building and grounds	<u>22,327</u>	<u>18,187</u>	<u>18,895</u>	<u>(708)</u>
<i>Total general government</i>	<u>130,450</u>	<u>144,351</u>	<u>144,863</u>	<u>(512)</u>
Public safety:				
Police	169,446	164,573	162,767	1,806
Fire Board	47,500	41,490	55,286	(13,796)
Protective inspections	<u>5,289</u>	<u>5,289</u>	<u>3,387</u>	<u>1,902</u>
<i>Total public safety</i>	<u>222,235</u>	<u>211,352</u>	<u>221,440</u>	<u>(10,088)</u>
Public works:				
Department of Public Works	<u>86,372</u>	<u>54,627</u>	<u>53,434</u>	<u>1,193</u>
Community and economic development - Planning Commission	<u>381</u>	<u>5,297</u>	<u>5,205</u>	<u>92</u>

**City of Galesburg**

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2004

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Culture and recreation:				
Library	\$ 74,903	\$ 72,703	\$ 67,108	\$ 5,595
Museum	4,097	3,097	2,395	702
<i>Total culture and recreation</i>	<u>79,000</u>	<u>75,800</u>	<u>69,503</u>	<u>6,297</u>
Debt service:				
Principal	<u>7,454</u>	<u>7,454</u>	<u>7,454</u>	<u>-</u>
Interest	<u>1,128</u>	<u>1,128</u>	<u>1,128</u>	<u>-</u>
Capital outlay	<u>6,873</u>	<u>25,001</u>	<u>19,028</u>	<u>5,973</u>
<i>Total expenditures</i>	<u>545,035</u>	<u>534,152</u>	<u>530,350</u>	<u>3,802</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(15,466)</u>	<u>(4,583)</u>	<u>(1,495)</u>	<u>3,088</u>
<b>OTHER FINANCING SOURCES</b>				
Loan proceeds	-	-	18,997	18,997
Transfers from other funds	<u>-</u>	<u>-</u>	<u>49,117</u>	<u>49,117</u>
<i>Total other financing sources</i>	<u>-</u>	<u>-</u>	<u>68,114</u>	<u>68,114</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	<u>(15,466)</u>	<u>(4,583)</u>	<u>66,619</u>	<u>71,202</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>31,585</u>	<u>31,585</u>	<u>31,585</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 16,119</u>	<u>\$ 27,002</u>	<u>\$ 98,204</u>	<u>\$ 71,202</u>

**City of Galesburg****BUDGETARY COMPARISON SCHEDULE - Major Street Fund**

Year ended June 30, 2004

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
State grants	\$ 75,000	\$ 75,000	\$ 95,585	\$ 20,585
Interest	1,142	1,142	1,150	8
Other	<u>4,844</u>	<u>4,844</u>	<u>7,963</u>	<u>3,119</u>
<i>Total revenues</i>	<u>80,986</u>	<u>80,986</u>	<u>104,698</u>	<u>23,712</u>
<b>EXPENDITURES</b>				
Public works:				
Routine maintenance	50,534	50,534	43,389	7,145
Construction	50,000	50,000	43,734	6,266
Traffic services	1,300	1,300	2,987	(1,687)
Winter maintenance	4,256	4,256	7,017	(2,761)
Administration	<u>1,950</u>	<u>1,950</u>	<u>600</u>	<u>1,350</u>
<i>Total expenditures</i>	<u>108,040</u>	<u>108,040</u>	<u>97,727</u>	<u>10,313</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(27,054)</u>	<u>(27,054)</u>	<u>6,971</u>	<u>34,025</u>
<b>OTHER FINANCING USES</b>				
Transfer out - Local Street Fund	-	(20,363)	(20,363)	-
Transfer out - General Fund	<u>-</u>	<u>-</u>	<u>(49,000)</u>	<u>(49,000)</u>
<i>Total financing uses</i>	<u>-</u>	<u>(20,363)</u>	<u>(69,363)</u>	<u>(49,000)</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER USES</b>	<u>(27,054)</u>	<u>(47,417)</u>	<u>(62,392)</u>	<u>(14,975)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>291,590</u>	<u>291,590</u>	<u>291,590</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 264,536</u>	<u>\$ 244,173</u>	<u>\$ 229,198</u>	<u>\$ (14,975)</u>

## **SUPPLEMENTARY INFORMATION**

**City of Galesburg**  
**COMBINING BALANCE SHEET - nonmajor governmental funds**  
June 30, 2004

	<u>Special revenue funds</u>					<i>Total nonmajor governmental funds</i>
	<u>Local Street</u>	<u>Public Safety</u>	<u>Museum</u>	<u>Library</u>	<u>Perpetual Care</u>	
<b>ASSETS</b>						
Cash	\$ 17,835	\$ 23,724	\$ 4,399	\$ 20,358	\$ 21,906	\$ 88,222
Account receivables	-	1,738	-	-	-	1,738
Due from other governmental units	<u>5,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,112</u>
<i>Total assets</i>	<u>\$ 22,947</u>	<u>\$ 25,462</u>	<u>\$ 4,399</u>	<u>\$ 20,358</u>	<u>\$ 21,906</u>	<u>\$ 95,072</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Due to other funds	\$ 6,011	\$ -	\$ -	\$ -	\$ -	\$ 6,011
Fund balances, unreserved	<u>16,936</u>	<u>25,462</u>	<u>4,399</u>	<u>20,358</u>	<u>21,906</u>	<u>89,061</u>
<i>Total liabilities and fund balances</i>	<u>\$ 22,947</u>	<u>\$ 25,462</u>	<u>\$ 4,399</u>	<u>\$ 20,358</u>	<u>\$ 21,906</u>	<u>\$ 95,072</u>



**City of Galesburg**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCES - nonmajor governmental funds**

*Year ended June 30, 2004*

	<b>Special revenue funds</b>					<b>Total nonmajor governmental funds</b>
	<b>Local Street</b>	<b>Public Safety</b>	<b>Museum</b>	<b>Galesburg Memorial Library</b>	<b>Perpetual Care</b>	
<b>REVENUES</b>						
Property taxes	\$ -	\$ 23,229	\$ -	\$ -	\$ -	\$ 23,229
State grants	30,081	-	-	-	-	30,081
Interest	-	110	18	276	59	463
Other	5,474	-	25	6,530	-	12,029
<i>Total revenues</i>	<u>35,555</u>	<u>23,339</u>	<u>43</u>	<u>6,806</u>	<u>59</u>	<u>65,802</u>
<b>EXPENDITURES</b>						
Public works	53,776	-	-	-	-	53,776
Recreation and culture	-	-	478	3,549	-	4,027
Debt service:						
Principal	-	15,711	-	-	-	15,711
Interest and fiscal charges	-	4,750	-	-	-	4,750
Capital outlay	-	-	-	-	-	-
<i>Total expenditures</i>	<u>53,776</u>	<u>20,461</u>	<u>478</u>	<u>3,549</u>	<u>-</u>	<u>78,264</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(18,221)</u>	<u>2,878</u>	<u>(435)</u>	<u>3,257</u>	<u>59</u>	<u>(12,462)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer in	20,363	-	-	-	-	20,363
Transfer out	-	-	(117)	-	-	(117)
<i>Total other financing sources (uses)</i>	<u>20,363</u>	<u>-</u>	<u>(117)</u>	<u>-</u>	<u>-</u>	<u>20,246</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER OVER EXPENDITURES AND OTHER USES</b>	<u>2,142</u>	<u>2,878</u>	<u>(552)</u>	<u>3,257</u>	<u>59</u>	<u>7,784</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>14,794</u>	<u>22,584</u>	<u>4,951</u>	<u>17,101</u>	<u>21,847</u>	<u>81,277</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 16,936</u>	<u>\$ 25,462</u>	<u>\$ 4,399</u>	<u>\$ 20,358</u>	<u>\$ 21,906</u>	<u>\$ 89,061</u>

## OTHER SUPPLEMENTARY DATA

**City of Galesburg****SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -  
\$125,000 1997 MICHIGAN TRANSPORTATION FUND BONDS***June 30, 2004*

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<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>July 1</i>	<i>January 1</i>			
2005	\$ 2,321	\$ 2,321	01/01/05	\$ 10,000	\$ 14,642
2006	2,078	2,077	01/01/06	10,000	14,155
2007	1,828	1,827	01/01/07	10,000	13,655
2008	1,575	1,575	01/01/08	10,000	13,150
2009	1,320	1,320	01/01/09	10,000	12,640
2010	1,060	1,060	01/01/10	10,000	12,120
2011	795	795	01/01/11	15,000	16,590
2012	398	397	01/01/12	15,000	15,795
	<u>\$ 11,375</u>	<u>\$ 11,372</u>		<u>\$ 90,000</u>	<u>\$ 112,747</u>

**City of Galesburg****SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -  
\$150,000 1997 SEWER AND WATER REVENUE BONDS***June 30, 2004*

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<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>October 1</i>	<i>April 1</i>			
2005	\$ 2,271	\$ 2,034	10/01/04	\$ 10,000	\$ 14,305
2006	2,034	1,790	10/01/05	10,000	13,824
2007	1,790	1,540	10/01/06	10,000	13,330
2008	1,540	1,290	10/01/07	10,000	12,830
2009	1,290	1,040	10/01/08	10,000	12,330
2010	1,040	785	10/01/09	10,000	11,825
2011	785	525	10/01/10	10,000	11,310
2012	525	-	10/01/11	20,000	20,525
	<u>\$ 11,275</u>	<u>\$ 9,004</u>		<u>\$ 90,000</u>	<u>\$ 110,279</u>

**City of Galesburg****SCHEDULE OF NOTE RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -****\$125,000 2003 NOTE PAYABLE***June 30, 2004*

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<i><u>Fiscal</u></i> <i><u>period</u></i>	<i><u>Interest</u></i> <i><u>requirements</u></i>	<i><u>Maturity</u></i> <i><u>date</u></i>	<i><u>Principal</u></i>	<i><u>Total</u></i> <i><u>requirements</u></i>
2005	\$ 3,739	10/01/04	\$ 16,722	\$ 20,461
2006	3,167	10/01/05	17,294	20,461
2007	2,575	10/01/06	17,886	20,461
2008	1,964	10/01/07	18,497	20,461
2009	1,330	10/01/08	19,130	20,460
2010	<u>676</u>	10/01/09	<u>19,761</u>	<u>20,437</u>
	<u>\$ 13,451</u>		<u>\$ 109,290</u>	<u>\$ 122,741</u>

**City of Galesburg**

**SCHEDULE OF NOTE RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -  
\$18,997 2003 NOTE PAYABLE**

*June 30, 2004*

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<i><u>Fiscal period</u></i>	<i><u>Interest requirements</u></i>	<i><u>Maturity date</u></i>	<i><u>Principal</u></i>	<i><u>Total requirements</u></i>
2005	\$ 415	07/01/04	\$ 6,213	\$ 6,628
2006	315	07/01/05	6,314	6,629
2007	<u>159</u>	07/01/06	<u>6,470</u>	<u>6,629</u>
	<u>\$ 889</u>		<u>\$ 18,997</u>	<u>\$ 19,886</u>

**City of Galesburg**

**SCHEDULE OF NOTE RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -  
\$87,545 1996 NOTE PAYABLE**

*June 30, 2004*

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<i><u>Fiscal period</u></i>	<i><u>Interest requirements</u></i>	<i><u>Maturity date</u></i>	<i><u>Principal</u></i>	<i><u>Total requirements</u></i>
2005	\$ 598	06/02/05	\$ 7,455	\$ 8,053
2006	<u>233</u>	06/02/06	<u>7,653</u>	<u>7,886</u>
	<u>\$ 831</u>		<u>\$ 15,108</u>	<u>\$ 15,939</u>